

Tenaga Nasional (TNB MK)

4Q25: A Strong Finish; Above Expectations

Highlights

- TNB reported a 4Q25 normalised net profit of RM1,532m – a strong finish to the year on the back of higher regulatory revenue base and low effective tax rate of 9% as TNB utilises its investment allowance granted by MOF.
- A final net DPS of 28 sen/share was declared for 4Q25, bringing full-year 2025 net DPS to 53 sen/share (2024: 51 sen/share). Payout of 65% is slightly ahead of our expectation.
- Maintain BUY with a DCF-based target price of RM16.30.

4Q25 Results

Year to 31 Dec (RMm)	4Q25 (RMm)	4Q24 (RMm)	qoq % chg	yoy % chg	2025 (RMm)	yoy % chg
Revenue	17,600	14,378	2.0	22.4	67,723	19.4
EBITDA	4,429	4,628	16.4	(4.3)	16,551	2.6
EBITDA margin (%)	25.2	32.2	3.1	(7.0)	24.4	(4.0)
Pretax profit	1,816	1,143	50.7	58.9	6,177	6.2
Net profit	1,675	955	91.0	75.5	4,768	19.9
Core net profit	1,532	1,555	47.8	(1.5)	4,767	32.1
Operating Matrix			qoq % chg	yoy % chg	yoy % chg	
Coal prices (US\$)	99.1	115.3	1.7	(14.1)	100.2	(11.5)
Coal consumption	8.9	9.0	(1.1)	(1.1)	35.9	3.5
LNG prices (RM)	37.0	36.8	(4.6)	0.5	39.8	2.3
Daily gas allocation	885	837	2.2	5.7	856.0	(9.5)
PM Elec. Sales gwth (yoy)	-1.2	9.1	(5.0)	(10.3)	2.3	1.7
Average tariff (sen/kwh)	44.9	37.8	3.2	18.8	42.3	5.0

Source: TNB, UOB Kay Hian

Analysis

- 4Q25: Strong finish on lower effective tax.** Tenaga Nasional Berhad (TNB) reported a 4Q25 normalised net profit of RM1,532m (-2% yoy; +48% qoq). Earnings were driven by a higher regulatory revenue base and lower effective tax rates of 9%. This cushioned year-end general expenses given higher computer expenses for software and cyber-security system maintenance.
- 2025 results came in above expectations.** This brings 2025 normalised net profit of RM4,767m (+32% yoy), 110% and 112% of house and street estimates respectively. Key drivers include higher regulatory earnings base and higher genco earnings with TNB Genco reporting a net profit of RM316m in 2025 (2024: - RM11m) given better operational performance and insurance recoveries.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	56,737	67,723	69,555	71,480	73,306
EBITDA	19,953	20,518	22,854	23,652	24,323
Operating profit	8,720	8,532	10,202	11,027	11,666
Net profit (rep./act.)	3,978	4,768	4,927	5,078	5,164
Net profit (adj.)	3,609	4,767	4,927	5,078	5,164
EPS	63.5	81.8	84.5	87.1	88.6
PE	22.3	17.3	16.8	16.3	16.0
P/B	1.6	1.6	1.6	1.5	1.5
EV/EBITDA	5.9	6.3	5.8	5.8	5.7
Dividend yield	3.6	3.7	4.0	4.3	4.7
Net margin	6.2	5.8	7.1	7.1	0.0
Net debt/(cash) to equity	75.0	90.7	97.0	99.6	102.6
Interest cover	4.2	4.4	4.6	4.4	4.3
ROE	6.6	9.5	9.5	9.6	9.5
Consensus net profit	-	-	4,789	5,090	5,266
UOBKH/Consensus (x)	-	-	1.03	1.00	0.98

Source: TNB, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM14.18
Target Price	RM16.30
Upside	15.0%

Analyst(s)

Chong Lee Len

leelen@uobkayhian.com

+(603) 2147 1992

Stock Data

GICS Sector	Utilities
Bloomberg ticker	TNB MK
Shares issued (m)	5,829.1
Market cap (RMm)	82,657.2
Market cap (US\$m)	21,251.4
3-mth avg daily t'over (US\$m)	23.6

Price Performance (%)

52-week high/low				RM14.98/RM12.50	
1mth	3mth	6mth	1yr	YTD	
1.4	8.1	5.5	5.8	3.4	

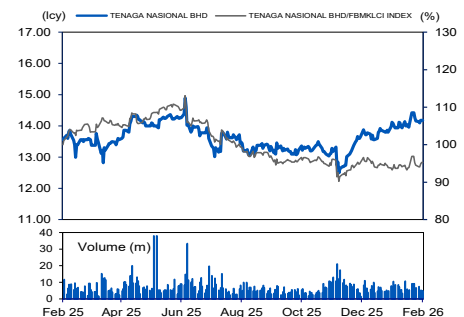
Major Shareholders

	%
EPF	23.3
Khazanah Nasional	15.8
Amanah Saham Nasional	11.3

Balance Sheet Metrics

	%
FY26F NAV/Share (RM)	10.92
FY26F Net Debt/Share (RM)	8.99

Price Chart



Source: Bloomberg

Company Description

Generates and distributes electricity in Peninsular Malaysia and Sabah.

- **TNB utilising tax allowance in 4Q25.** Following the Federal Court ruling on 23 July 25, TNB has submitted an application under Schedule 7B for Years Assessment 2003-2024 to the Ministry of Finance (MOF). On 26 Nov 25, Tenaga received a letter from the MOF granting approval for Investment Allowance (IA) in respect of capex which will be deducted from future income. **In 4Q25, TNB has utilised the tax allowance relating to FY25 leading to effective tax rate of 9% in 4Q25.** 2025 effective tax rate of 22.8% is also lower than the statutory level of 24%.
- **4Q25 electricity demand fell 1.9% yoy** on the back of a 19% yoy decline in industrial demand.
- **4Q25 generation costs** continue to ease yoy 19.8 sen/kwh vs 20.4 sen/kwh in 4Q24. Global coal prices continue to ease with average coal prices falling 18% yoy in ringgit terms.

Valuation/Recommendation

- **Maintain BUY with a DCF-based target price of RM16.30** (discount rate: 8%, growth rate: 1%). Our equity risk premium on the stock at 7.8% reflects TNB's tariff autonomy and the gradual decoupling of tariffs from the government's purview. At our target price, the stock trades at 18.7x 2026F EPS, +2SD above five-year mean PE.

Earnings Revision/Risk

- No change to earnings.
- **Key risks** include: a) lumpy and unprofitable overseas renewable energy (RE) projects, and b) forex risk to operating cashflow.

Share Price Catalyst

- **Key re-rating catalysts** includes: a) giving TNB the autonomy to change electricity prices by 7% without seeking Cabinet approval every six months, b) recognition of contingent capex in the 2026-27 earnings window, c) listing of a profitable genco and/or RE division, and d) benefitting from the ASEAN Power Grid rollout.

Environmental, Social, Governance (ESG)

Environmental

- Besides targeting 8,300MW in RE generation capacity by 2025 (1.5x from 3,398MW in Dec 20), TNB has also made new pledges to reduce emission intensity by 2035 and being coal-free by 2050.

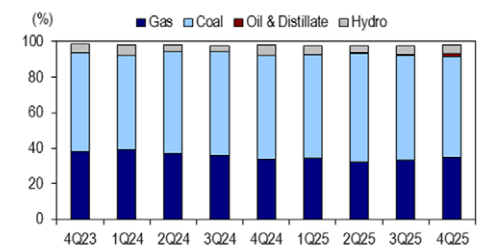
Social

- Established a collaborative partnership with YPM to provide support for the education of underprivileged B40 students. GMB contributed RM407,000 to this initiative, benefitting 1,100 B40 students.

Governance

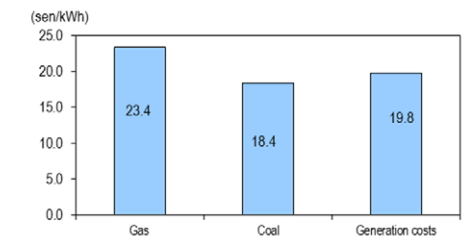
- Good company transparency along with an anti-bribery and whistle-blowing policy.

Generation Mix



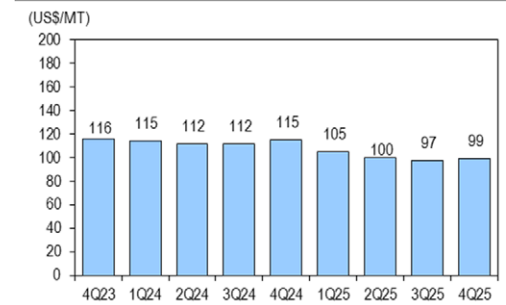
Source: TNB, UOB Kay Hian

Generation Unit Cost (4Q25)



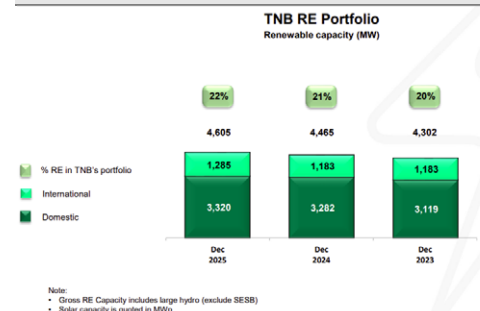
Source: TNB, UOB Kay Hian

Quarterly Coal Prices



Source: TNB, UOB Kay Hian

TNB's RE Portfolio



Source: TNB

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	67,723	69,555	71,480	73,306
EBITDA	20,518	22,854	23,652	24,323
Deprec. & amort.	11,986	12,653	12,625	12,657
EBIT	24,277	23,810	24,908	25,825
Total other non-operating income	51	0	0	0
Associate contributions	88	92	97	102
Net interest income/(expense)	-3,363	-3,976	-4,612	-5,145
Pre-tax profit	6,177	6,318	6,512	6,623
Tax	-1,407	-1,390	-1,433	-1,457
Minorities	-2	-2	-2	-2
Net profit	4,768	4,927	5,078	5,164
Net profit (adj.)	4,767	4,927	5,078	5,164

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	132,885	137,099	141,340	145,550
Other LT assets	36,953	37,045	37,142	37,244
Cash/ST investment	12,867	7,908	4,893	1,734
Other current assets	15,650	18,255	18,518	18,767
Total assets	198,355	200,307	201,893	203,295
ST debt	11,952	11,852	11,752	11,652
Other current liabilities	24,636	25,186	25,474	25,770
LT debt	47,134	47,034	46,934	46,834
Other LT liabilities	61,659	61,659	61,659	61,659
Shareholders' equity	50,790	52,391	53,887	55,192
Minority interest	2,185	2,186	2,188	2,190
Total liabilities & equity	198,355	200,307	201,893	203,295

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	15,570	21,764	22,245	22,912
Pre-tax profit	6,177	6,318	6,512	6,623
Tax	-1,407	-1,390	-1,433	-1,457
Deprec. & amort.	11,986	12,653	12,625	12,657
Associates	-88	-92	-97	-102
Working capital changes	945	300	25	46
Non-cash items	0	0	0	0
Other operating cashflows	-2,042	3,976	4,612	5,145
Investing	-13,192	-16,366	-16,463	-16,618
Capex (growth)	-16,246	-16,867	-16,867	-16,867
Investments	7	0	0	0
Others	3,047	500	404	249
Financing	-6,994	-8,002	-8,798	-9,453
Dividend payments	-3,089	-3,326	-3,582	-3,859
Issue of shares	110	0	0	0
Proceeds from borrowings	1,679	-200	-200	-200
Others/interest paid	-5,693	-4,476	-5,016	-5,394
Net cash inflow (outflow)	-4,616	-2,604	-3,015	-3,159
Beginning cash & cash equivalent	15,213	10,512	7,908	4,893
Changes due to forex impact	-85	0	0	0
Ending cash & cash equivalent	10,512	7,908	4,893	1,734

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	30.3	32.9	33.1	33.2
Pre-tax margin	9.1	9.1	9.1	9.0
Net margin	6.2	5.8	7.1	7.1
ROA	2.4	2.5	2.5	2.5
ROE	9.5	9.5	9.6	9.5
Growth				
Turnover	19.4	2.7	5.5	8.2
EBITDA	2.8	11.4	3.5	2.8
Pre-tax profit	6.2	2.3	3.1	1.7
Net profit	19.9	3.3	3.1	1.7
Net profit (adj.)	32.1	3.3	3.1	1.7
EPS	32.1	3.3	3.1	1.7
Leverage				
Debt to total capital	111.5	107.9	104.7	101.9
Debt to equity	116.3	112.4	108.9	106.0
Net debt/(cash) to equity	91.0	97.3	99.8	102.8
Interest cover (x)	10.8	9.2	8.1	7.5

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."